



COUNTY OF LOS ANGELES

CHIEF INFORMATION OFFICE

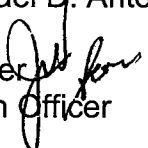
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August 11, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Don Knabe, Chair Pro Tem
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: Jon W. Fullinwider 
Chief Information Officer

Subject: **JULY STATUS REPORT REGARDING CONTRACT NEGOTIATIONS
FOR A LOS ANGELES COUNTY ADMINISTRATIVE SYSTEM**

In March 2003, your Board authorized staff to begin contract negotiations with Accenture, LLC. and PeopleSoft, Inc. for the acquisition of the Los Angeles County Administrative System (LACAS). Negotiations were proceeding and the vendors communicated an extension of their cost proposals to December 31, 2003. On June 18, 2003, we notified your Board that we suspended contract negotiations. This decision to suspend negotiations followed Oracle Corporation's June 6, 2003 hostile takeover bid for PeopleSoft, Inc., which has been widely reported as threatening the long-term viability of the PeopleSoft products in the event of a successful takeover.

As of today, the status of Oracle's efforts to purchase PeopleSoft remains unresolved and we cannot predict when it will be settled.

In our June 18 memo, we informed your Board that we would present an alternative approach to the LACAS acquisition for your Board's consideration if the PeopleSoft matter were not resolved within 60 days. In light of the continuing uncertainty of PeopleSoft's future, we have taken and are taking the following actions:

- We are maintaining suspension of contract negotiations with Accenture and PeopleSoft pending resolution of Oracle's purchase offer.

- We will begin an assessment of the current software solution provided by SAP, the second placed finalist, to identify any enhancements and technology changes that may have occurred since the LACAS Evaluation in June 2002.
- We will begin discussions with SAP on software license price, terms and conditions, if the assessment of the SAP product satisfactorily meets the County's business functionality.
- If the foregoing discussions with SAP are positive and the PeopleSoft acquisition by Oracle has not been satisfactorily resolved by mid-September, we will recommend opening contract negotiations with SAP as the proposed software provider.
- Pending successful negotiations, we will explore the alternative of issuing a new solicitation for an implementation services vendor for the SAP software, under the provisions of Section 3.1.4 of the LACAS Request for Proposal.
- Simultaneously, we are preliminarily exploring other options to meet countywide administrative system requirements, as provided for in the County's Strategic Plan. It may in the future become necessary to more closely examine such alternative options should it appear unwise and/or too risky to move forward with either PeopleSoft or SAP.

If the Oracle-PeopleSoft matter is decided in favor of PeopleSoft (either the action is blocked by regulators, or Oracle withdraws its bid in a way that indicates it would no longer pursue the acquisition of PeopleSoft) before September 15, 2003, then there is still time to complete negotiations with Accenture and PeopleSoft, submit the contracts to your Board for approval, and start implementation in early 2004. If the Oracle-PeopleSoft matter remains unresolved by September 15, 2003, it may be in the County's best interest to pursue an alternate direction. We will advise your Board regarding an alternative of acquiring an enterprise SAP software license and issuing a new RFP for implementation services with the intent of starting implementation no later than July 2004.

We will begin assessing the SAP software this week to determine if it will now meet the County's overall business requirements. We will keep your Board informed on our progress and as significant events occur.

JWF:RD:jsl

c: Department Heads
Chair, Information Systems Commission